



MEMORANDUM

DATE: 5 October 2005

To: Rep. Mike Nofs, Chair and members of the House Committee on Energy and Technology

FROM: Bill Knox, Associate State Director for Government Affairs, AARP Michigan

SUBJECT: House Bill 5237

Mr. Chairman and members, thanks for allowing me to testify today, and special thanks to Greg Moore for his good natured handling of all the scheduling duties, even late at night.

I am Bill Knox, associate state director for government affairs at AARP Michigan. We intend to take part enthusiastically in the process as outlined by Mike Nofs, that is, to talk to you individually about our concerns and to offer amendments for your potential sponsorship.

I want to note immediately that the bill, in section 310, would finally eliminate the end user carrier line charge, after allowing current assessments to be rolled into rates. After 2006, EUCL would die at last. And that's a good thing.

House Bill 5237 is a straightforward attempt to deregulate wire line service in Michigan. AARP believes that the time for deregulation has not yet arrived. We think that that time will arrive in a manner that is fair to consumers and providers, *if current law is given a chance to work.*

- The current regulated retail rate scheme should remain in place. Now, customers can have guaranteed rates for several call plans, among them one offering 400 calls a month. The bill offers residential customers a call plan of 100 per month. If a customer wants a feature such as caller ID, the rate automatically becomes deregulated. So, the question is, will residential customers be happier with 300 fewer calls a month and the opportunity to pay more for the privilege?



- Under current law, regulated rates can be raised once a year. The bill allows providers to raise the now unregulated rates at any time. Again, at a time when people on fixed-incomes face uncontrollable increases in gasoline prices and hikes of up to 40 percent for natural gas used to heat their homes, does the legislature want to permit unlimited telephone rate increases?
- Due to federal action, competitive carriers will no longer have access to UNE-P as of March 1. This will considerably endanger the viability of CLECs, and makes it even more imperative that the MPSC have a role in setting wholesale rates. Some argue that the states under the new federal deregulatory scheme can no longer have such a role. *I would argue that someone needs to ask the Michigan Attorney General whether that is true, before we engage in wholesale deregulation based on a false premise.*
- The competitive landscape changes even more when SBC's purchase of AT&T's wire lines and Verizon's merger with MCI are approved. Around 400,000 to 500,000 lines will move from competition back to the ILECs. This will nearly reverse all of the competitive gains for 2001-2000 that resulted after the current act took effect. And ask yourselves the question: why don't SBC and Verizon compete against each other?
- What has landline competition meant for Michigan? Lower rates. Let's look at an example. In Lansing, SBC faces competition from a variety of service providers: landline, cellular, and cable. Its bundled plan costs \$39.99. Next door in Grand Ledge, where there is no landline competition Verizon charges \$64.95 for an equivalent bundle of services. (See attachment)
- Finally, the bill goes even further than the MPSC did in its order of August 4, which declared SBC access areas A & B competitive under Section 208 of the current act. The bill eliminates Section 208, and thereby deregulates Access Area C, where there is little or no landline competition, let alone solid wireless or DSL alternatives. Section 208 should stay in the MTA, and that at the very least deregulation of Area C should occur only after it becomes truly competitive. (See attachment)

Again, thanks Mr. Chairman for allowing me to testify, and I would be happy to try and answer any questions.

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SBC vs. VERIZON

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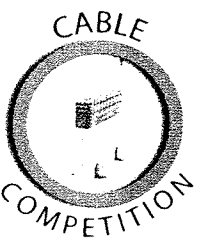
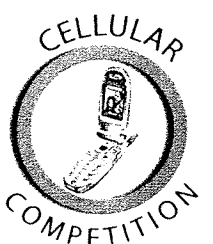
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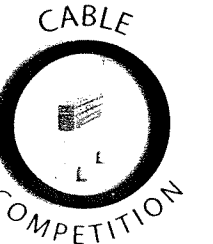
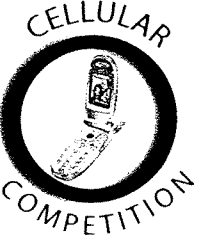
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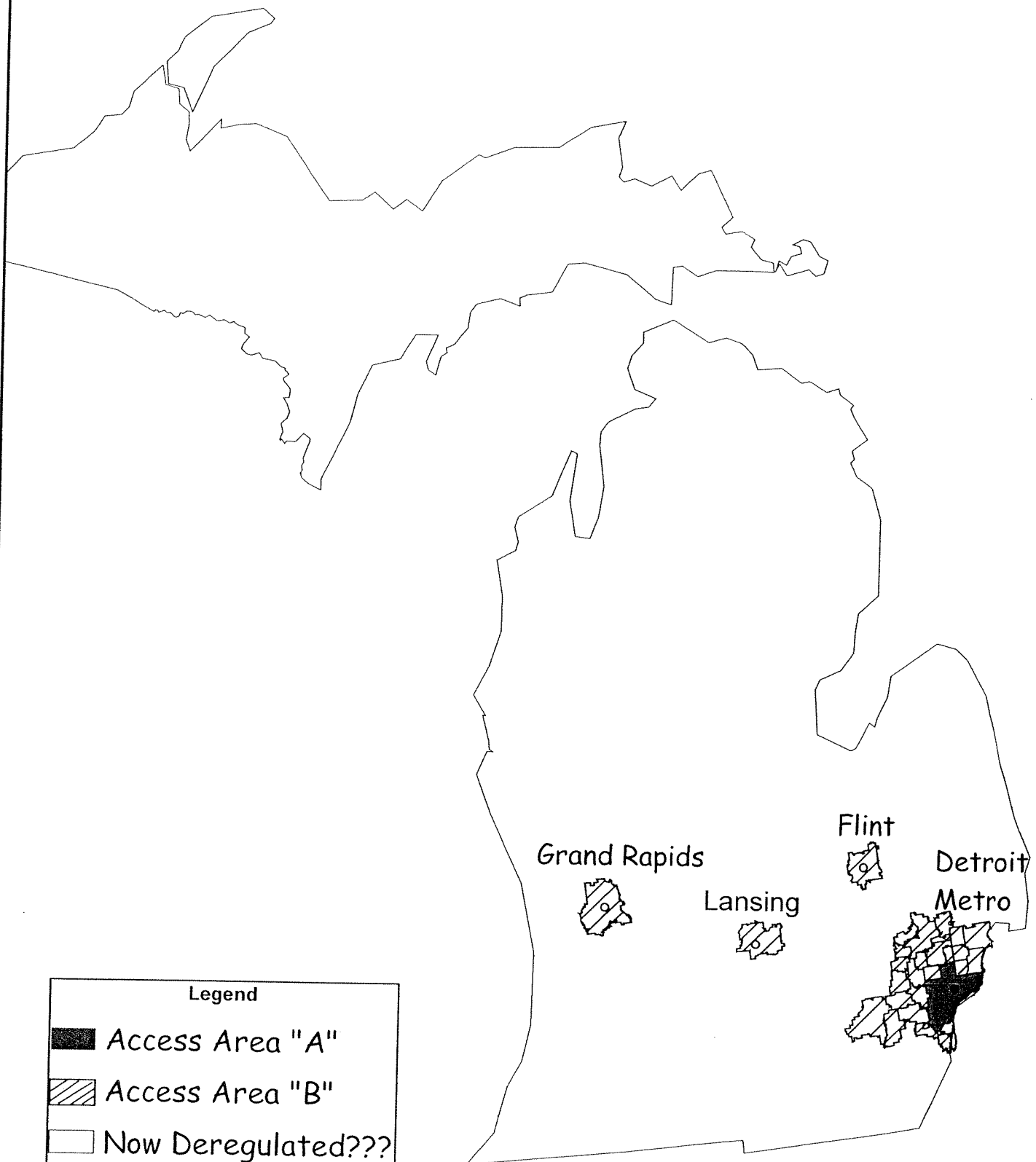
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Telephone Rate Deregulation?**